

Message Text

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TO US MISSION NATO IMMEDIATE 660

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E.O. 11652: NA

TAGS: ECON, NATO, HU

SUBJECT: EXPERTS MEETING AT NATO ON ECONOMIES OF

CZECHOSLOVAKIA, GDR, AND HUNGARY

REFS: A. USNATO 4838

B. USNATO 4611

C. USNATO 4568

D. BUDAPEST 2714

E. BUDAPEST 2189

1. EMBASSY WELCOMES OPPORTUNITY TO COMMENT ON ECONAD PAPER ON HUNGARY. OUR COPY RECEIVED LATE AFTERNOON SEPT 9, THUS PRECLUDING TIME FOR IN-DEPTH ANALYSIS.

2. EMBASSY AGREES WITH GENERAL THRUST OF REPORT. RE PARA 51, THE HUNGARIAN NATIONAL BANK NOW USES A FOREIGN EXCHANGE RATE FOR HUNGARIAN ENTERPRISES OF ONE DOLLAR EQUALS 42 FORINTS. THIS RATE IS TO BE REDUCED EIGHT PERCENT JANUARY 1, 1976, TO ABOUT 38.6 FORINTS. THE HUNGARIANS REALIZE THIS WILL HAVE A DAMPENING EFFECT ON EXPORT INCENTIVES AND HOPE TO OFFSET THIS BY OTHER MEANS.

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3. RE PARA 60 (A), KNOWLEDGEABLE BANKERS WITH WHOM WE

HAVE DISCUSSED SUBJECT ESTIMATED HUNGARY'S EXTERNAL DEBT IN HARD CURRENCY AT ABOUT 1.5 BILLION DOLLARS IN 1973 AND GUESS THAT FIGURE HAS NOW REACHED ALMOST 2 BILLION DOLLARS. RE SAME PARA WE NOTE THAT THE HUNGARIANS HAVE REPORTED IN THE PRESS THAT IMPORT SUBSIDIES IN 1974 INCREASED NINE HUNDRED PERCENT.

4. FOR MORE UP-TO-DATE INFORMATION CONCERNING DEVELOPMENTS IN 1975, PLEASE SEE BUDAPEST 2714 (COPY SENT TO USNATO AUGUST 21, 1975). COMMENTS CONCERNING THE NEW ECONOMIC MECHANISM GENERALLY AGREE WITH VIEWS HELD BY THE EMBASSY (SEE REFTEL E).
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